

**NOT FOR PUBLICATION**

**IN THE DISTRICT COURT OF THE VIRGIN ISLANDS  
DIVISION OF ST. THOMAS AND ST. JOHN**

ISLAND INSTEEL SYSTEMS, INC., ISLAND )  
INSTEEL CONSTRUCTION, INC., PETER W. )  
CLARK, THE PETER W. CLARK FAMILY )  
TRUST, and ALAN FEUERSTEIN, )

Plaintiffs, )

v. )

DARRIN WATERS, TAMMY WATERS, )  
TAMMY MOST, PANELS, INC., and )  
CONCRETE PANELS CONSTRUCTION, )  
INC., and Unincorporated Association Under the )  
Laws of the United States Virgin Islands, and )  
UNKNOWN DEFENDANTS A THROUGH Z, )

Defendants. )

CIVIL NO. 1999-0017

**APPEARANCES**

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*Attorneys for Plaintiffs*

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**MEMORANDUM OPINION**

**Finch, C. J.**

This matter comes before the Court on Defendants' Motion to Dismiss Plaintiffs' Complaint. For the reasons expressed below, the Court will grant Defendants' motion.

### **I. Background**

Plaintiffs allege the following facts. During 1993, Plaintiff Peter W. Clark became acquainted with the "Insteel" panel system of construction. Clark commenced negotiations with Edward Hummel, Marketing Director for Insteel Construction Systems, Inc., to acquire distributorship of "Insteel" construction in the U.S. Virgin Islands and other islands in the Caribbean. For that purpose, Clark and Defendant Darrin Waters organized two corporations, Island Insteel Systems, Inc. and Island Insteel Construction, Inc. (hereinafter "Plaintiff corporations"), under Puerto Rico law.

On August 1, 1993, the distributorship of "Insteel" panels was awarded to Plaintiff corporations. This distributorship agreement (the "Agreement") was thereafter renewed for two consecutive years.<sup>1</sup> Plaintiffs allege that the Agreement allowed them to conduct business as an affiliated dealer of "Insteel" panels in the U.S. and British Virgin Islands. Insteel Systems was also given use of the "Insteel" name for promotion of its business. Plaintiffs further allege that at no time was Darrin Waters authorized to use the "Insteel" name for his personal benefit, or the benefit of any entity other than Plaintiff corporations.

Following Hurricane Marilyn, Island Insteel Construction signed more than \$500,000

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<sup>1</sup> The record indicates that the Agreement was renewed in July 1994, effective until July 1995. However, the agreement for October 1995 to October 1996 was never fully executed as it was not signed by distributors.

worth of building contracts in St. Thomas and elsewhere. Additionally, Plaintiffs were awarded a contract to reconstruct and remodel the Pavilions and Pools Hotel.

Plaintiffs allege that Darrin Waters commenced his plan to seize Plaintiffs' assets by covertly registering the trade name Island Insteel Systems in the Office of the Lieutenant Governor in St. Thomas as a trade name for Darrin Waters under his personal contractors' license. This registration took place in July of 1994. Waters did not list any other stockholders of Plaintiff corporations on the trade name registration. However, Waters allegedly misled all the stockholders to believe that each was listed.

In January 1996, Darrin Waters, Tammy Waters and Tammy Most formed two new corporations, Panels, Inc. and Concrete Panels Construction, Inc., for allegedly the same business purposes as Plaintiff corporations. Clark claims that there came a time when he went to his bank to check the balances on Plaintiff corporations' bank accounts and discovered that Waters had closed the accounts and opened new accounts under the same name, removing Clark's name as signatory. Plaintiffs allege that later Waters also closed these accounts and transferred all funds to the accounts of his newly formed corporations.

During 1996, the Pavilions and Pools hurricane and damage insurance claim settled for approximately \$2,000,000. Plaintiffs claim that the first check for the Pavilions and Pools project was made in the name of Plaintiff corporations. However, according to Plaintiffs, all of the monies were divided by Defendants and deposited in the second bank accounts of Plaintiff corporations (under Waters' control) and were later transferred to or directly deposited in the corporate bank accounts of Defendant corporations. Plaintiffs assert that they never received any

funds from the Pavilions and Pools project.

Plaintiffs maintain that Defendants continue to do business using the Island Insteel Systems trade name and that as a result of Defendants' misrepresentations to "Insteel," the distributorship agreement with Plaintiff corporations was canceled.

On November 20, 1997, Plaintiffs filed their Summons and Complaint in the District Court of Puerto Rico. In September of 1998, the Puerto Rico Court dismissed the case for lack of personal jurisdiction. On or about January 28, 1999, Plaintiffs filed the instant action alleging violations of the Lanham Act, 15 U.S.C. § 1125(a) and violations of related common law rights.

## **II. Analysis**

Jurisdiction over Plaintiffs' Lanham Act claims is predicated on 28 U.S.C. §§ 1331 and 1337.<sup>2</sup> Plaintiffs further assert supplemental jurisdiction under 28 U.S.C. § 1367 with respect to the common law claims that Plaintiffs allege arise from the same nucleus of operative facts.<sup>3</sup>

### **A. The Lanham Act claims**

Under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), there are two distinct bases of liability: "(1) false representation in advertising concerning the qualities of goods (false advertising

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<sup>2</sup> Section 1331 provides "district courts with original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States." 28 U.S.C. § 1331. Section 1337 provides district courts with "original jurisdiction of any civil action or proceeding arising under any Act of Congress regulating commerce or protecting trade and commerce against restraints and monopolies." 28 U.S.C. § 1337.

<sup>3</sup> Under 28 U.S.C. § 1367(a), district courts, in cases where they have original jurisdiction, have the power to exercise "supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution." 28 U.S.C. § 1367(a).

claims); and (2) false representations concerning the origin or endorsement of goods (false association or product infringement claims).” Stanfield v. Osborne Industries, Inc., 52 F.3d 867, 873 (10th Cir. 1995). In the instant case, Plaintiffs allege a claim for false association.<sup>4</sup> Specifically, Plaintiffs allege that by taking and using for Defendants’ benefit a name identical to Plaintiff corporations, Defendants have engaged in conduct that is likely to cause confusion, mistake or deception as to the origin or endorsement of the goods in question.

Because the Lanham Act contains no express statute of limitations, “the [C]ourt must look to the state [or territorial] statute of limitations for analogous types of actions.” Beauty Time, Inc. v. VU Skin Sys., Inc., 118 F.3d 140, 143 (3d Cir. 1997). “A claim of fraud under the Lanham Act conforms to this general rule.” Id. Additionally, “the large majority of federal courts that have considered the limitations issue as to Section 43(a) claims have held that these claims are most comparable to fraud claims, and have applied the fraud limitations period.” Derrick Mfg. Corp. v. Southwestern Wire Cloth, Inc., 934 F. Supp. 796, 804-805 (S.D. Tex. 1996)

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<sup>4</sup> Plaintiffs allege violations of the following pertinent provision of the Lanham Act:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact which—  
(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a). The term “person” as used above is broadly defined to include all individual and corporate defendants named in the Complaint. See 11 U.S.C. § 1127.

(citing Gordon & Breach Science Publishers S.A. v. American Inst. of Physics, 859 F. Supp. 1521, 1528-29 (S.D.N.Y. 1994); Calzaturificio Rangoni S.p.A. v. U.S. Shoe Corp., 868 F. Supp. 1414, 1420 (S.D.N.Y. 1994); Vitale v. Marlborough Gallery, 1994 WL 654494 (S.D.N.Y. 1994); Mylan Lab., Inc. v. Pharmaceutical Basics, Inc., 808 F. Supp. 446, 453-54 & n. 8 (D. Md. 1992), rev'd on other grounds, 7 F.3d 1130 (4th Cir. 1993), cert. denied, 510 U.S. 1197 (1994); Johannsen v. Brown, 797 F. Supp. 835, 839-40 (D. Or. 1992); PepsiCo, Inc. v. Dunlop Tire & Rubber Corp., 578 F. Supp. 196, 199 (S.D.N.Y. 1984)). In accordance with the foregoing case law, this Court holds that the Virgin Islands' fraud limitations period should be applied to Plaintiffs' § 43(a) claims. Under Virgin Islands law, fraud is governed by the two-year limitations period found at 5 V.I.C. § 31(5)(A). Lawaetz v. Bank of Nova Scotia, 653 F. Supp 1278, 1282 (D.V.I. 1987). Accordingly, the Court will now determine whether Plaintiffs have met this statutory period.

In the instant case, the trade name Island Insteel Systems was filed by Defendant Darrin Waters in July of 1994 and the Complaint in this action was not filed until approximately five years later, on January 28, 1999. However, because Plaintiffs' claims are controlled by the principles of fraud, the issue becomes: when did Plaintiffs discover Defendants' use of the trade name? Beauty Time, 118 F.3d at 148 (holding that "... when the underlying cause of action sounds in fraud, the statute of limitations is tolled until the plaintiff learns or reasonably should have learned through the exercise of due diligence of the existence of the claim"). Plaintiffs argue that they did not discover the alleged violations until March 18, 1997, well within the two-year statutory period. Specifically, Plaintiffs aver that Plaintiff Peter Clark discovered the alleged

violations on March 18, 1997 when he went to the Office of the Lieutenant Governor of the Virgin Islands to register a corporation under a new name. It was at this time that Clark alleges he first viewed copies of the business license and trademark filings of Defendants.

The evidence before the Court does not support Plaintiffs' contention that they had no actual knowledge of the alleged violations prior to March 18, 1997. Rather, the evidence indicates the contrary. The Court points to the following two documents which together evidence Plaintiffs' knowledge of the pertinent facts supporting the instant causes of action: (1) Darrin Waters' correspondence of October 25, 1996 in which Waters admits having registered the trade name Island Insteel Systems under his license; and (2) Plaintiff Peter Clark's Affidavit in which Clark admits to receiving and reading portions of Waters' October 25 letter. See Clark Affidavit ¶ 26. Waters' letter provides, in pertinent part:

I would like to clear up your questions on the new corporations by once again explaining why and how they were formed. . . . To begin, the trade name, Island Insteel Systems. [sic] Back in July of 1994, we registered the trade name under my license for business purposes (see attachments). At this point I had a masonry license to which we were finishing Magen's Ridge with. . . . This license continued to be in use throughout 1994 and the beginning of 1995.

Waters' Letter to Clark, dated October 25, 1996 (attached as Exhibit C to the Declaration of Darrin Waters). Thus, in light of Plaintiff Clark's admission that he read other portions of the October 25, 1996 letter, the Court finds that Plaintiffs had actual knowledge of Defendants' use of the Island Insteel Systems name in October of 1996 when Clark received the letter. Therefore, because Plaintiffs had actual knowledge of the facts surrounding Defendants' alleged violations in October of 1996, and the instant action was filed over two years later in January of 1999, Plaintiffs' Lanham Act claims are time-barred.

Finally, the Court rejects as legally unsound Plaintiffs' argument that their prior timely filing of a summons and complaint in the District Court of Puerto Rico tolls any applicable statute of limitations. The Third Circuit, in Young v. Clantech, Inc., 863 F.2d 300, 301 (3d. Cir. 1988), held that "the timely filing of a case in a court which lacks personal jurisdiction over the defendant does not toll the New Jersey statute of limitations." In the instant case, the Puerto Rico court dismissed the action solely on in personam jurisdiction grounds.

In view of the fact that the statute of limitations issue is dispositive, the Court sees no need to resolve the other issues raised by the parties regarding the Lanham Act claims.

#### **B. Plaintiffs' Common Law Claims**

As previously stated, Plaintiffs' common law claims are predicated on supplemental jurisdiction under 28 U.S.C. § 1367(a). Thus, because the Lanham Act claims are dismissed, the Court will not exercise supplemental jurisdiction over the common law causes of action. See 28 U.S.C. § 1367(c) ("district courts may decline to exercise supplemental jurisdiction over a claim under [§ 1367(a)] if . . . the district court has dismissed all claims over which it has original jurisdiction"). Accordingly, the Court will also dismiss Plaintiffs' common law claims.

#### **III. Conclusion**

For the foregoing reasons the Court grants Defendants' Motion to Dismiss. An appropriate Order is attached.

**ENTER:**

**DATED:** August \_\_, 2000

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RAYMOND L. FINCH  
U.S. DISTRICT JUDGE

**A T T E S T:**



Orinn F. Arnold  
Clerk of Court

**by:** \_\_\_\_\_

Deputy Clerk

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UNKNOWN DEFENDANTS A THROUGH Z, )

Defendants. )

**ORDER**

For the reasons expressed in the attached Memorandum Opinion, it is hereby

**ORDERED** that Defendants' Motion to Dismiss is **GRANTED**.

**ENTER:**

**DATED:** August \_\_, 2000

\_\_\_\_\_  
RAYMOND L. FINCH  
U.S. DISTRICT JUDGE

**A T T E S T:**

Orinn F. Arnold  
Clerk of Court

**by:**

\_\_\_\_\_  
Deputy Clerk

cc: David B. Smith, Esq.  
James M. Derr, Esq.  
Magistrate Judge Geoffrey W. Barnard